

**CITY OF ELLIS, KANSAS**

Financial Statements With Independent Auditors' Report

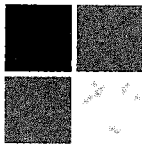
For the Year Ended December 31, 2011

**CITY OF ELLIS, KANSAS**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
**City of Ellis, Kansas**  
Ellis, Kansas

We have audited the accompanying financial statements of **City of Ellis, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Ellis, Kansas**' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Ellis, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Ellis, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Ellis, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

June 18, 2012

**CITY OF ELLIS, KANSAS**  
**Summary of Cash Receipts, Expenditures, and Unencumbered Cash**  
**For the Year Ended December 31, 2011**

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Fund</b>							
General Fund	\$ 786,768	-	1,378,300	1,364,722	800,346	17,985	818,331
<b>Special Revenue Funds</b>							
Special Highway Fund	80,109	-	52,520	31,599	101,030	1,147	102,177
Special Parks and Recreation Fund	2,446	-	2,808	-	5,254	-	5,254
Capital Improvement Fund	158,506	-	25,363	31,446	152,423	13,609	166,032
Capital Improvement Fund - Cemetery Expansion	14,235	-	2,593	16,021	807	7,462	8,269
Capital Improvement Fund - Streets	288,074	-	125,743	164,071	249,746	147,756	397,502
Special Machinery Fund	147,393	-	55,760	136,071	67,082	40,151	107,233
Library Fund	1,237	-	50,062	49,000	2,299	-	2,299
<b>Debt Service Funds</b>							
Bond and Interest Fund	107,655	-	34,533	19,795	122,393	-	122,393
Principal and Interest Fund	137,692	-	451,181	425,811	163,062	-	163,062
Bond Reserve Fund	96,000	-	24,000	-	120,000	-	120,000
TIF Project Fund - Southridge	-	-	80,300	80,300	-	-	-
<b>Capital Project Fund</b>							
Water Project Fund	(81,591)	-	112,634	300	30,743	-	30,743
<b>Proprietary Fund Category</b>							
<b>Enterprise Funds</b>							
Campground Utility Fund	45,503	-	29,667	11,235	63,935	60	63,995
Water Utility Fund	95,349	-	603,599	620,995	77,953	6,447	84,400
Sewer Utility Fund	75,850	-	174,582	213,998	36,434	2,017	38,451
Sanitation Utility Fund	198,377	-	289,114	308,303	179,188	10,053	189,241
Water Depreciation Reserve Fund	687,512	-	25,000	74,262	638,250	67,038	705,288
Sewer Depreciation Reserve Fund	95,714	-	-	16,719	78,995	-	78,995
<b>Fiduciary Fund Category</b>							
<b>Private Purpose Trust Funds</b>							
Coinsurance Fund	75,515	-	192,287	170,665	97,137	-	97,137
Cemetery Endowment Fund	20,454	-	832	-	21,286	-	21,286
Community Development Block Grant Fund	(26,962)	-	97,263	70,255	46	-	46
<b>Total Primary Government</b>	3,005,836	-	3,808,141	3,805,568	3,008,409	313,725	3,322,134
<b>Component Unit</b>							
Ellis Public Library	29,675	-	64,355	66,661	27,369	912	28,281
<b>Total Reporting Entity</b>	\$ 3,035,511	-	3,872,496	3,872,229	3,035,778	314,637	3,350,415
<b>Composition of Cash</b>				Checking Accounts	\$ 3,320,634		
				Cash on Hand	1,500		
				Total Primary Government	3,322,134		
				Total Component Unit	28,281		
				<b>Total Reporting Entity</b>	\$ 3,350,415		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
Summary of Expenditures - Actual and Budget  
For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 1,846,155	-	1,846,155	<b>1,364,722</b>	(481,433)
General Fund					
<b>Special Revenue Funds</b>					
Special Highway Fund	107,683	-	107,683	<b>31,599</b>	(76,084)
Special Parks and Recreation Fund	14,466	-	14,466	-	(14,466)
Library Fund	49,158	-	49,158	<b>49,000</b>	(158)
<b>Debt Service Funds</b>					
Bond and Interest Fund	94,809	-	94,809	<b>19,795</b>	(75,014)
TIF Project Fund - Southridge	80,300	-	80,300	<b>80,300</b>	-
<b>Proprietary Fund Category</b>					
<b>Enterprise Funds</b>					
Campground Utility Fund	41,343	-	41,343	<b>11,235</b>	(30,108)
Water Utility Fund	630,026	-	630,026	<b>620,995</b>	(9,031)
Sewer Utility Fund	261,542	-	261,542	<b>213,998</b>	(47,544)
Sanitation Utility Fund	348,286	-	348,286	<b>308,303</b>	(39,983)

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes and Shared Revenues</b>				
Ad Valorem	\$ 625,315	638,602	639,702	(1,100)
Delinquent	15,844	11,022	-	11,022
Motor Vehicle	99,541	98,975	90,001	8,974
Transient Guest Tax	5,597	16,515	5,000	11,515
Escape Tax	32	15	-	15
<b>Total Taxes     and Shared Revenues</b>	746,329	765,129	734,703	30,426
<b>Intergovernmental</b>				
Compensating Use Tax	29,487	51,328	30,000	21,328
Local Alcoholic Liquor Tax	2,545	2,796	1,774	1,022
City Sales Tax	295,983	338,856	261,693	77,163
State Aid	4,000	4,423	-	4,423
<b>Total Intergovernmental</b>	332,015	397,403	293,467	103,936
<b>Licenses and Permits</b>				
Licenses and Permits	6,064	8,987	4,000	4,987
Franchise Fees	82,758	89,905	67,500	22,405
<b>Total Licenses and Permits</b>	88,822	98,892	71,500	27,392
<b>Miscellaneous</b>				
Grave Openings and Closings	15,770	17,920	3,000	14,920
Copy Fees	124	139	150	(11)
Miscellaneous	6,857	15,969	7,000	8,969
Capital Credits	9,995	4,280	-	4,280
Insurance Proceeds	2,091	1,046	-	1,046
Cemetery Lots	4,375	2,613	1,500	1,113
Pool Fees and Concessions	8,128	9,083	5,000	4,083
Donations/Memorials	3,819	7,170	-	7,170
DARE Program Donations	3,035	931	4,500	(3,569)
Museum Roundup Program	336	346	300	46
Park Committee	-	-	4,000	(4,000)
<b>Total Miscellaneous</b>	54,530	59,497	25,450	34,047
<b>Fines and Forfeitures</b>				
Fines and Court Costs	20,795	16,292	10,000	6,292
Diversion Fees	670	150	-	150
<b>Total Fines and Forfeitures</b>	21,465	16,442	10,000	6,442
<b>Use of Money and Property</b>				
Interest	1,694	2,881	-	2,881
Rentals and Leases	19,354	19,749	17,000	2,749
<b>Total Use of Money and Property</b>	21,048	22,630	17,000	5,630

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts (continued)</b>				
<b>Transfers In</b>	\$ 7,340	18,307	18,307	-
<b>Total Cash Receipts</b>	1,271,549	1,378,300	1,170,427	207,873
<b>Expenditures</b>				
<b>General Government</b>				
Personal Services	60,796	52,774	48,732	4,042
Contractual	125,779	132,301	157,850	(25,549)
Commodities	20,999	15,517	21,000	(5,483)
Capital Outlay	-	1,374	2,500	(1,126)
<b>Total General Government</b>	207,574	201,966	230,082	(28,116)
<b>Police Department</b>				
Personal Services	257,735	241,772	246,067	(4,295)
Contractual	16,130	18,706	20,711	(2,005)
Commodities	30,671	26,006	33,222	(7,216)
Capital Outlay	3,995	-	-	-
<b>Total Police Department</b>	308,531	286,484	300,000	(13,516)
<b>Municipal Court</b>				
Personal Services	7,593	7,729	7,524	205
Contractual	2,791	3,976	7,000	(3,024)
Commodities	210	112	500	(388)
<b>Total Municipal Court</b>	10,594	11,817	15,024	(3,207)
<b>Fire Department</b>				
Personal Services	21,138	24,916	20,374	4,542
Contractual	6,353	13,179	12,000	1,179
Commodities	7,263	6,660	5,500	1,160
Capital Outlay	-	-	5,000	(5,000)
<b>Total Fire Department</b>	34,754	44,755	42,874	1,881
<b>Park Department</b>				
Personal Services	40,946	43,947	49,244	(5,297)
Contractual	13,841	12,027	13,100	(1,073)
Commodities	12,550	8,216	16,000	(7,784)
Capital Outlay	13,728	-	4,500	(4,500)
<b>Total Park Department</b>	81,065	64,190	82,844	(18,654)
<b>Economic Development</b>	25,059	3,250	443,841	(440,591)
<b>Street Department</b>				
Personal Services	46,717	58,190	46,490	11,700
<b>Sewer</b>				
Contractual	-	31,954	-	31,954

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Appropriations</b>				
Museums	\$ 31,000	31,000	31,000	-
Library	2,000	2,000	2,000	-
Library Employee Benefit	2,500	2,500	2,500	-
Country Club	7,500	-	-	-
Alliance and Foundation	20,000	20,000	20,000	-
Other	13,080	13,080	13,080	-
<b>Total Appropriations</b>	<u>76,080</u>	<u>68,580</u>	<u>68,580</u>	<u>-</u>
<b>Swimming Pool</b>				
Personal Services	27,046	40,087	31,161	8,926
Contractual	6,868	7,273	6,000	1,273
Commodities	24,039	25,192	10,000	15,192
<b>Total Swimming Pool</b>	<u>57,953</u>	<u>72,552</u>	<u>47,161</u>	<u>25,391</u>
<b>Elections</b>	<u>1,696</u>	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
<b>Cemetery Capital Campaign</b>	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
<b>Risk Management</b>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
<b>DARE Program</b>	<u>2,935</u>	<u>4,095</u>	<u>4,500</u>	<u>(405)</u>
<b>Growing Ellis Parks</b>	<u>47,320</u>	<u>472</u>	<u>46,000</u>	<u>(45,528)</u>
<b>Tourism and Convention Promotion</b>	<u>9,850</u>	<u>9,925</u>	<u>10,000</u>	<u>(75)</u>
<b>CDBG Grant Expenditures</b>	<u>250</u>	<u>-</u>	<u>500</u>	<u>(500)</u>
<b>Transfers Out</b>	<u>565,764</u>	<u>506,392</u>	<u>465,759</u>	<u>40,633</u>
<b>Call Bonds 2017</b>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>
<b>Total Expenditures</b>	<u>1,476,142</u>	<u>1,364,722</u>	<u>1,846,155</u>	<u>(481,433)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(204,593)	13,578		
<b>Unencumbered Cash - Beginning</b>	918,105	786,768		
<b>Prior Year Cancelled Encumbrances</b>	<u>73,256</u>	<u>-</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>786,768</u>	<u>800,346</u>		

The notes to the financial statements are an integral part of this statement.



**CITY OF ELLIS, KANSAS**  
**Special Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental				
Fuel Tax	\$ 52,166	52,130	53,040	(910)
Use of Money and Property				
Interest	137	361	-	361
Miscellaneous	397	29	-	29
<b>Total Cash Receipts</b>	52,700	52,520	53,040	(520)
<b>Expenditures</b>				
Contractual	11,879	18,149	25,000	(6,851)
Commodities	12,104	13,450	25,000	(11,550)
Capital Outlay	-	-	57,683	(57,683)
<b>Total Expenditures</b>	23,983	31,599	107,683	(76,084)
<b>Cash Receipts Over (Under) Expenditures</b>	28,717	20,921		
<b>Unencumbered Cash - Beginning</b>	51,392	80,109		
<b>Unencumbered Cash - Ending</b>	\$ 80,109	101,030		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Parks and Recreation Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 2,545	2,796	1,773	1,023
Use of Money and Property				
Interest	54	12	-	12
<b>Total Cash Receipts</b>	2,599	2,808	1,773	1,035
<b>Expenditures</b>				
Capital Outlay	10,500	-	14,466	(14,466)
<b>Cash Receipts Over (Under) Expenditures</b>	(7,901)	2,808		
<b>Unencumbered Cash - Beginning</b>	10,347	2,446		
<b>Unencumbered Cash - Ending</b>	\$ 2,446	5,254		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Capital Improvement Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Use of Money and Property		
Interest	\$ 1,756	363
Transfers In	45,000	25,000
<b>Total Cash Receipts</b>	<b>46,756</b>	<b>25,363</b>
<b>Expenditures</b>		
Contractual	9,883	12,772
Capital Outlay	57,275	18,674
<b>Total Expenditures</b>	<b>67,158</b>	<b>31,446</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(20,402)</b>	<b>(6,083)</b>
<b>Unencumbered Cash - Beginning</b>	<b>178,908</b>	<b>158,506</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 158,506</b>	<b>152,423</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Capital Improvement Fund - Cemetery Expansion**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2011**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Use of Money and Property		
Interest	\$ 97	93
Transfers In	2,500	2,500
<b>Total Cash Receipts</b>	<b>2,597</b>	<b>2,593</b>
<b>Expenditures</b>		
Contractual	-	1,097
Capital Outlay	-	14,924
<b>Total Expenditures</b>	<b>-</b>	<b>16,021</b>
<b>Cash Receipts Over (Under) Expenditures</b>	2,597	(13,428)
<b>Unencumbered Cash - Beginning</b>	11,638	14,235
<b>Unencumbered Cash - Ending</b>	<b>\$ 14,235</b>	<b>807</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Capital Improvement Fund - Streets**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Use of Money and Property		
Interest	\$ 1,331	743
Transfers In	187,340	125,000
<b>Total Cash Receipts</b>	<b>188,671</b>	<b>125,743</b>
<b>Expenditures</b>		
Contractual	679	9,197
Capital Outlay	-	154,874
<b>Total Expenditures</b>	<b>679</b>	<b>164,071</b>
<b>Cash Receipts Over (Under) Expenditures</b>	187,992	(38,328)
<b>Unencumbered Cash - Beginning</b>	100,082	288,074
<b>Unencumbered Cash - Ending</b>	<b>\$ 288,074</b>	<b>249,746</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Machinery Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Use of Money and Property		
Interest	\$ 735	724
Miscellaneous	-	36
Transfers In	80,000	55,000
<b>Total Cash Receipts</b>	<b>80,735</b>	<b>55,760</b>
<b>Expenditures</b>		
Contractual	-	12,619
Capital Outlay	5,011	51,261
Lease Purchase Payment	53,064	72,191
<b>Total Expenditures</b>	<b>58,075</b>	<b>136,071</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>22,660</b>	<b>(80,311)</b>
<b>Unencumbered Cash - Beginning</b>	<b>124,733</b>	<b>147,393</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 147,393</b>	<b>67,082</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Library Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem	\$ 41,151	42,753	43,114	(361)
Delinquent	1,061	743	-	743
Motor Vehicle	6,721	6,540	5,923	617
Escape Tax	2	1	-	1
Use of Money and Property				
Interest	15	25	-	25
<b>Total Cash Receipts</b>	48,950	50,062	49,037	1,025
<b>Expenditures</b>				
Library Appropriations	49,000	49,000	49,158	(158)
<b>Cash Receipts Over (Under) Expenditures</b>	(50)	1,062		
<b>Unencumbered Cash - Beginning</b>	1,287	1,237		
<b>Unencumbered Cash - Ending</b>	\$ 1,237	2,299		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem	\$ 14,346	16,492	1,156	15,336
Delinquent	1,896	162	-	162
Motor Vehicle	928	500	330	170
Special Assessments	18,548	16,482	9,480	7,002
Use of Money and Property				
Interest	424	897	-	897
Miscellaneous	300	-	-	-
<b>Total Cash Receipts</b>	<u>36,442</u>	<u>34,533</u>	<u>10,966</u>	<u>23,567</u>
<b>Expenditures</b>				
Principal	11,002	12,268	12,267	1
Interest	8,847	7,527	7,527	-
Commission Fees	-	-	15	(15)
Reserve for Cash Basis	-	-	20,000	(20,000)
Call Bonds	-	-	55,000	(55,000)
<b>Total Expenditures</b>	<u>19,849</u>	<u>19,795</u>	<u>94,809</u>	<u>(75,014)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	16,593	14,738		
<b>Unencumbered Cash - Beginning</b>	<u>91,062</u>	<u>107,655</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>107,655</u>	<u>122,393</u>		

The notes to the financial statements are an integral part of this statement.



**CITY OF ELLIS, KANSAS**  
**Principal and Interest Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 418,407	451,181
<b>Expenditures</b>		
Principal	190,000	202,733
Interest	218,218	223,078
<b>Total Expenditures</b>	408,218	425,811
<b>Cash Receipts Over (Under) Expenditures</b>	10,189	25,370
<b>Unencumbered Cash - Beginning</b>	127,503	137,692
<b>Unencumbered Cash - Ending</b>	\$ 137,692	163,062

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Bond Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 24,000	24,000
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	24,000	24,000
<b>Unencumbered Cash - Beginning</b>	72,000	96,000
<b>Unencumbered Cash - Ending</b>	\$ 96,000	120,000

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**TIF Project Fund - Southridge**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Tax Revenues	\$ 82,900	80,300	80,300	-
<b>Expenditures</b>				
Principal	40,000	40,000	40,000	-
Interest	42,900	40,300	40,300	-
<b>Total Expenditures</b>	82,900	80,300	80,300	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	-		
<b>Unencumbered Cash - Beginning</b>	-	-		
<b>Unencumbered Cash - Ending</b>	\$ -	-		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Water Project Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
GO Bond Proceeds	\$ 348,000	-
Transfers In	113,863	-
Grant	39,366	112,634
<b>Total Cash Receipts</b>	<u>501,229</u>	<u>112,634</u>
<b>Expenditures</b>		
Construction Costs	571,104	-
Contractual	11,716	300
<b>Total Expenditures</b>	<u>582,820</u>	<u>300</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(81,591)	112,334
<b>Unencumbered Cash - Beginning</b>	<u>-</u>	<u>(81,591)</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ (81,591)</u>	<u>30,743</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Campground Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
User Fees	\$ 19,310	23,590	11,000	12,590
Donations	-	2,267	-	2,267
Use of Money and Property				
Rentals and Leases	3,605	3,605	3,500	105
Interest	94	205	-	205
<b>Total Cash Receipts</b>	<u>23,009</u>	<u>29,667</u>	<u>14,500</u>	<u>15,167</u>
<b>Expenditures</b>				
Personal Services	3,095	3,101	3,143	(42)
Contractual	4,276	5,987	7,000	(1,013)
Commodities	3,043	947	3,000	(2,053)
Capital Outlay	-	-	2,000	(2,000)
Transfers Out	1,020	1,200	1,200	-
Campground Expansion	-	-	25,000	(25,000)
<b>Total Expenditures</b>	<u>11,434</u>	<u>11,235</u>	<u>41,343</u>	<u>(30,108)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	11,575	18,432		
<b>Unencumbered Cash - Beginning</b>	<u>33,928</u>	<u>45,503</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>45,503</u>	<u>63,935</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Water Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
<b>Cash Receipts</b>				
Water Sales	\$ 565,426	577,953	564,250	13,703
Connects and Disconnects	9,983	9,360	-	9,360
Water Dock	78	61	-	61
Penalties	4,836	5,029	2,500	2,529
Miscellaneous	8,590	6,117	3,000	3,117
Interest	3,733	5,079	-	5,079
<b>Total Cash Receipts</b>	<u>592,646</u>	<u>603,599</u>	<u>569,750</u>	<u>33,849</u>
<b>Expenditures</b>				
Personal Services	133,265	130,722	126,668	4,054
Contractual	77,995	89,050	89,000	50
Commodities	41,913	55,615	52,500	3,115
Capital Outlay	4,700	-	940	(940)
Lease Purchase Payments	2,359	2,359	2,359	-
Principal and Interest	-	-	15,310	(15,310)
Transfers Out	337,149	343,249	343,249	-
<b>Total Expenditures</b>	<u>597,381</u>	<u>620,995</u>	<u>630,026</u>	<u>(9,031)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(4,735)	(17,396)		
<b>Unencumbered Cash - Beginning</b>	<u>100,084</u>	<u>95,349</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>95,349</u>	<u>77,953</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Sewer Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sewer Charges	\$ 166,791	171,265	205,000	(33,735)
Interest	991	417	-	417
Penalties	1,537	1,640	1,500	140
Miscellaneous	1,305	1,260	-	1,260
<b>Total Cash Receipts</b>	<u>170,624</u>	<u>174,582</u>	<u>206,500</u>	<u>(31,918)</u>
<b>Expenditures</b>				
Personal Services	38,378	37,347	37,170	177
Contractual	70,250	57,387	77,000	(19,613)
Commodities	24,859	31,892	30,000	1,892
Lease Purchase Payments	6,560	6,560	6,560	-
Principal	52,394	54,202	54,202	-
Interest	16,774	15,099	15,099	-
Commission Fees	1,323	1,191	1,191	-
Transfers Out	23,772	10,320	40,320	(30,000)
<b>Total Expenditures</b>	<u>234,310</u>	<u>213,998</u>	<u>261,542</u>	<u>(47,544)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(63,686)	(39,416)		
<b>Unencumbered Cash - Beginning</b>	<u>139,536</u>	<u>75,850</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>75,850</u>	<u>36,434</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Sanitation Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Sanitation Charges	\$ 271,207	274,144	255,000	19,144
Recycle Proceeds	10,627	9,333	-	9,333
Interest	1,008	774	-	774
Penalties	2,208	2,311	2,000	311
Miscellaneous	2,288	1,828	-	1,828
Federal Aid	2,171	724	-	724
State Aid	5,419	-	-	-
<b>Total Cash Receipts</b>	<u>294,928</u>	<u>289,114</u>	<u>257,000</u>	<u>32,114</u>
<b>Expenditures</b>				
Personal Services	126,618	119,906	132,805	(12,899)
Contractual	92,425	86,345	100,000	(13,655)
Commodities	19,988	26,571	35,000	(8,429)
Capital Outlay	-	-	5,000	(5,000)
Lease Purchase Payment	18,654	18,654	18,654	-
Transfers Out	40,082	56,827	56,827	-
<b>Total Expenditures</b>	<u>297,767</u>	<u>308,303</u>	<u>348,286</u>	<u>(39,983)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(2,839)	(19,189)		
<b>Unencumbered Cash - Beginning</b>	<u>201,216</u>	<u>198,377</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>198,377</u>	<u>179,188</u>		

The notes to the financial statements are an integral part of this statement.



**CITY OF ELLIS, KANSAS**  
**Water Depreciation Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 25,000	25,000
<b>Expenditures</b>		
Contractual	-	74,262
Transfers Out	113,863	-
<b>Total Expenditures</b>	113,863	74,262
<b>Cash Receipts Over (Under) Expenditures</b>	(88,863)	(49,262)
<b>Unencumbered Cash - Beginning</b>	776,375	687,512
<b>Unencumbered Cash - Ending</b>	\$ 687,512	638,250

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Sewer Depreciation Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 15,000	-
<b>Expenditures</b>		
Contractual	-	16,719
<b>Cash Receipts Over (Under) Expenditures</b>	15,000	(16,719)
<b>Unencumbered Cash - Beginning</b>	80,714	95,714
<b>Unencumbered Cash - Ending</b>	\$ 95,714	78,995

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Coinsurance Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 393	287
Transfers In	163,200	192,000
<b>Total Cash Receipts</b>	163,593	192,287
<b>Expenditures</b>		
Contractual	154,712	170,665
<b>Cash Receipts Over (Under) Expenditures</b>	8,881	21,622
<b>Unencumbered Cash - Beginning</b>	66,634	75,515
<b>Unencumbered Cash - Ending</b>	\$ 75,515	97,137

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Cemetery Endowment Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 153	69
Lot Sales	1,350	763
<b>Total Cash Receipts</b>	1,503	832
<b>Expenditures</b>		
Commodities	217	-
<b>Cash Receipts Over (Under) Expenditures</b>	1,286	832
<b>Unencumbered Cash - Beginning</b>	19,168	20,454
<b>Unencumbered Cash - Ending</b>	\$ 20,454	21,286

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Community Development Block Grant Fund**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2011**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Federal Aid - ARRA	\$ 59,505	71,688
Federal Aid	25,425	25,476
Miscellaneous	-	99
<b>Total Cash Receipts</b>	<u>84,930</u>	<u>97,263</u>
<b>Expenditures</b>		
Grant Expenditures	5,000	1,299
Construction Costs	72,843	61,075
Contractual	10,500	7,881
Miscellaneous	5,100	-
<b>Total Expenditures</b>	<u>93,443</u>	<u>70,255</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(8,513)	27,008
<b>Unencumbered Cash - Beginning</b>	<u>(18,449)</u>	<u>(26,962)</u>
<b>Unencumbered Cash - Ending</b>	\$ <u><u>(26,962)</u></u>	<u><u>46</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Ellis Public Library**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental	\$ 7,133	8,117
Interest	173	25
Collections	2,085	3,713
Appropriations	53,500	52,500
<b>Total Cash Receipts</b>	<u>62,891</u>	<u>64,355</u>
<b>Expenditures</b>		
Personal Services	36,140	36,227
Contractual	11,945	12,564
Commodities	14,399	12,324
Capital Outlay	4,753	5,546
<b>Total Expenditures</b>	<u>67,237</u>	<u>66,661</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(4,346)	(2,306)
<b>Unencumbered Cash - Beginning</b>	<u>34,021</u>	<u>29,675</u>
<b>Unencumbered Cash - Ending</b>	\$ <u><u>29,675</u></u>	<u><u>27,369</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Ellis, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**Reporting Entity**

The City is a municipal corporation governed by an elected Mayor and six elected council members. These financial statements present the City (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

**Ellis Public Library**

The City's Public Library Board operates the City's public library. The Library Board is organized under Kansas statutes for the purpose of operating a public library for the benefit of the City. The Board's members are appointed by the City Council. The City substantially funds the Library's operations by levying tax dollars for the Library.

**Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

**Governmental Fund Categories**

**General Fund** – to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

**Debt Service Funds** – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Project Fund** – to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Fund Category**

**Enterprise Funds** – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Category**

**Private Purpose Trust Funds** – to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

**Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.



**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- a. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15<sup>th</sup>, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: Capital Improvement Fund, Capital Improvement Fund – Cemetery Expansion, Capital Improvement Fund – Streets, and Special Machinery Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City adopted an investment policy during 2007 that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City adopted an investment policy during 2007 that would further limit its investment choices.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Concentration of Credit Risk**

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$3,322,134 and the bank balance was \$3,352,854. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$264,641 was covered by federal depository insurance and \$3,088,213 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2011, the Public Library's carrying amount of deposits was \$28,281 and the bank balance was \$28,751. The bank balance was held by two banks resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

**Compensated Absences**

**Vacation**

The City's policy regarding vacation allows employees to accumulate from 48 to 192 hours based on length of service. With the exception of 48 hours of allowable carryover, all vacation must be taken by the employee's anniversary date. Part-time employees are granted vacation at the rate of one-half the rate of full-time employees. The amount of accumulated vacation as of December 31, 2011 totaled \$28,673.

**Sick Leave**

The City's policy regarding sick leave permits employees to accumulate a maximum of 816 hours. It does not allow payment of accumulated sick pay upon termination of employment unless accumulated prior to 1989. Three personal days a year (one-half if part-time) may be used and charged against sick leave for full-time employees. Part-time employees are not granted sick leave. The amount of accumulated sick leave as of December 31, 2011 totaled \$66,747.

Currently, the Ellis Public Library, a component unit of the **City of Ellis, Kansas** allows the head librarian 48 hours of vacation and 44 hours of sick leave after six months of employment. Vacation and sick leave may not be carried to the next year.

**Defined Benefit Pension Plan**

**Plan Description**

The **City of Ellis, Kansas** contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The KPERS employer rate established for calendar year 2011 was 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$43,749, \$41,690, and \$32,451, respectively, equal to the required contributions for each year as set forth by the legislature.

The Ellis Public Library's KPERS employer rate established for calendar year 2011 was 8.19%. The Ellis Public Library's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$2,375, \$2,236 and \$1,978, respectively, equal to the required contributions for each year as set forth by the legislature.

**Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**Restricted Assets**

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust funds of the City.

**Reimbursements**

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**CITY OF ELLIS, KANSAS**  
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**NOTE 2 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Ellis, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
General Fund	Special Machinery Fund	KSA 12-1,117	\$ 55,000
General Fund	Capital Improvement Fund	KSA 12-1,118	25,000
General Fund	Capital Improvement Fund – Cemetery Expansion	KSA 12-1,118	2,500
General Fund	Capital Improvement Fund - Streets	KSA 12-1,118	125,000
General Fund	Coinsurance Fund	Via Ordinance	103,800
General Fund	Principal and Interest Fund	Resolution	195,092
Sanitation Utility Fund	Coinsurance Fund	Via Ordinance	38,520
Sanitation Utility Fund	General Fund	KSA 12-825d	18,307
Sewer Utility Fund	Coinsurance Fund	Via Ordinance	10,320
Campground Utility Fund	Coinsurance Fund	Via Ordinance	1,200
Water Utility Fund	Water Depreciation Reserve Fund	KSA 12-825d	25,000
Water Utility Fund	Coinsurance Fund	Via Ordinance	38,160
Water Utility Fund	Bond Reserve Fund	Resolution	24,000
Water Utility Fund	Principal and Interest Fund	Resolution	256,089

**NOTE 3 – CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Water Distribution System Improvements	\$ 696,983	\$ 696,983

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The following related party transactions were identified for 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

**Trio Home Center**

David McDaniel is owner of the company and was the Mayor in 2011:

Supplies \$ 2,698

**Trio Enterprises, Inc.**

David McDaniel is a 50% partner and was the Mayor in 2011.

Hardware and Building Material \$ 5,523

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 5 – LITIGATION**

**City of Ellis, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**NOTE 6 – RISK MANAGEMENT**

**City of Ellis, Kansas** is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for other risks of loss, including property, general liability, inland marine, workmen's compensation, umbrella, automobile, linebacker and surety bond coverage. The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

**NOTE 7 – GRANTS AND SHARED REVENUES**

**City of Ellis, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

**NOTE 8 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Ellis, Kansas'** cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 9 – COMPLIANCE WITH WATER SYSTEM REVENUE BONDS COVENANTS**

The Water System Revenue Bonds - Series 2006 requires that the City meet certain covenants set forth by the bond company as long as the bonds remain outstanding.

The City has complied with the covenants set forth in Resolution No. 442 which was adopted on October 2, 2006.

There were 1,007 customers being served by the system at January 1, 2011 and 1,051 customers being served at December 31, 2011.

The City carries general liability and property insurance on the water treatment plant property with Continental Western Insurance Company. Total replacement value covered is \$3,806,000 under the policy in effect from April 1, 2011 to April 1, 2012. The total premium for general liability and property is \$9,766.

\$24,000 was deposited into the Bond Reserve Fund for the year ended December 31, 2011.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
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**NOTE 9 – COMPLIANCE WITH WATER SYSTEM REVENUE BONDS COVENANTS (continued)**

The Water System Revenue Bonds – Series 2006 requires that water rates charged in each year will enable the City to have in each fiscal year net revenues from the system equal to 125 percent of the maximum debt service requirements to be paid out of said revenues in any succeeding fiscal year with respect to the bonds. This provision was complied with for the year ended December 31, 2011.

Net Revenues		\$ 577,953
Maximum Debt Service Requirements	256,043	
	<u>125%</u>	
Net Revenues required		<u>320,054</u>
Excess		\$ <u>257,899</u>

**NOTE 10 – LONG-TERM DEBT**

The City has the following types of long-term debt.

**Capital Leases**

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

**Revolving Loan**

The City entered into a \$750,000 revolving loan agreement on May 31, 1996 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of an activated sludge basin. On June 5, 1998, the maximum loan amount was amended to \$1,113,200 and again amended to \$1,023,155 on January 20, 2001. The City uses proceeds generated by the operation of the facility for loan repayment, which began March 1, 1999.

**General Obligation Bonds – Series 2003**

The City issued \$56,870 in General Obligation Bonds on June 1, 2003.

**General Obligation Bonds – Series 2006**

On September 15, 2006, the City issued \$2,170,000 in General Obligation Refunding and Improvement Bonds (\$2,000,000 Improvement and \$170,000 Refunding Bonds). The proceeds from the sale of the Improvement Bonds were used to pay the costs of making certain improvements to the City's water wells, water treatment facility and distribution system.

**General Obligation Bonds – Series 2010**

The City issued \$348,000 in General Obligation Bonds on June 24, 2010. The bonds were issued for the purpose of providing funds to pay the costs of the water system improvements.

**Water System Revenue Bonds - Series 2006**

On October 15, 2006, the City issued \$3,300,000 in Water System Revenue Bonds, Series 2006 for the purpose of providing funds to pay part of the cost of improving the City's water utility system.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 10 – LONG-TERM DEBT (continued)**

**Taxable Special Obligation Bonds**

The City was approved to issue Taxable Special Obligation Bonds to finance improvements in the South Ridge Redevelopment District in an amount not to exceed \$2,045,810. The District qualifies as a tax increment financing district. As such, the bond issue is to be paid for from the additional property taxes realized due to the incremental improvements to property within the District. These bonds are further guaranteed by South Ridge Development, LLC. As of December 31, 2005, \$605,000 has been issued on this bond issue.

On March 15, 2006 an additional \$150,000 in Taxable Special Obligation Bonds were issued.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
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**NOTE 10 - LONG-TERM DEBT (continued)**

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>Capital Leases</b>										
Loader	3.75%	06/01/04	\$ 57,159	06/01/11	\$ 8,959	-	(8,959)		-	477
Generator	3.75%	06/01/04	25,448	06/01/11	4,049	-	(4,049)		-	152
Street Sweeper	4.99%	04/21/06	119,648	04/21/13	36,612	-	(36,612)		-	2,202
Sanitation Truck	5.50%	04/01/07	106,583	06/01/14	65,158	-	(15,080)		50,078	3,574
Fire Truck	5.02%	03/27/09	221,043	03/27/19	203,488	-	(18,437)		185,051	10,221
<b>Total Capital Leases</b>			<u>529,881</u>		<u>318,266</u>	<u>-</u>	<u>(83,137)</u>		<u>235,129</u>	<u>16,626</u>
<b>Revolving Loan</b>										
KDHE - Sludge Basin Construction	3.42%	05/31/96	1,023,155	09/01/18	489,732	-	(54,202)		435,530	15,099
<b>General Obligation Bonds</b>										
Series 2003	3.50%	06/01/03	56,870	08/02/13	19,000	-	(6,000)		13,000	665
Series 2006	3.75 - 4.9%	09/15/06	2,170,000	10/01/26	1,885,000	-	(80,000)		1,805,000	87,588
Series 2010	3.25%	06/24/10	348,000	06/24/50	348,000	-	(4,000)		344,000	11,310
<b>Total General Obligation Bonds</b>			<u>2,574,870</u>		<u>2,252,000</u>	<u>-</u>	<u>(90,000)</u>		<u>2,162,000</u>	<u>99,563</u>
<b>Revenue Bonds</b>										
Water System Revenue Bonds - Series 2006	3.5 - 5%	10/15/06	3,300,000	10/01/26	2,840,000	-	(125,000)		2,715,000	131,043
<b>Taxable Special Obligation Bonds</b>										
Series 2004	6.50%	12/22/04	755,000	12/01/20	620,000	-	(40,000)		580,000	40,300
<b>Total Contractual Indebtedness</b>					<u>6,519,998</u>	<u>-</u>	<u>(392,339)</u>		<u>6,127,659</u>	<u>302,631</u>
<b>Compensated Absences</b>										
					<u>110,003</u>			<u>(14,583)</u>	<u>95,420</u>	
<b>Total Long-Term Debt</b>					<u>\$ 6,630,001</u>	<u>-</u>	<u>(392,339)</u>	<u>(14,583)</u>	<u>6,223,079</u>	<u>302,631</u>



CITY OF ELLIS, KANSAS  
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**NOTE 10 - LONG-TERM DEBT (continued)**

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR												Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2050	
<b>Principal</b>													
Capital Leases	\$ 35,242	37,096	38,796	22,430	23,556	78,009	-	-	-	-	-	-	235,129
Revolving Loan	56,071	58,005	60,006	62,076	64,217	135,155	-	-	-	-	-	-	435,530
General Obligation Bonds	95,000	102,000	100,000	105,000	105,000	618,000	778,000	39,000	46,000	53,000	63,000	58,000	2,162,000
Revenue Bonds	130,000	135,000	145,000	150,000	155,000	885,000	1,115,000	-	-	-	-	-	2,715,000
Taxable Special Obligation Bonds	45,000	45,000	55,000	55,000	60,000	280,000	40,000	-	-	-	-	-	580,000
<b>Total Principal</b>	<b>361,313</b>	<b>377,101</b>	<b>398,802</b>	<b>394,506</b>	<b>407,773</b>	<b>1,996,164</b>	<b>1,933,000</b>	<b>39,000</b>	<b>46,000</b>	<b>53,000</b>	<b>63,000</b>	<b>58,000</b>	<b>6,127,659</b>
<b>Interest</b>													
Capital Leases	12,070	10,217	8,273	6,228	5,102	7,965	-	-	-	-	-	-	49,855
Revolving Loan	13,366	11,573	9,719	7,800	5,815	5,401	-	-	-	-	-	-	53,674
General Obligation Bonds	95,982	92,158	87,970	83,770	79,308	321,202	158,592	39,617	32,825	24,927	15,666	4,777	1,036,794
Revenue Bonds	126,230	121,160	115,828	110,027	103,878	411,920	172,500	-	-	-	-	-	1,161,543
Taxable Special Obligation Bonds	33,700	34,775	31,850	28,275	24,700	61,750	5,525	-	-	-	-	-	220,575
<b>Total Interest</b>	<b>281,348</b>	<b>269,883</b>	<b>253,640</b>	<b>236,100</b>	<b>218,803</b>	<b>808,238</b>	<b>336,617</b>	<b>39,617</b>	<b>32,825</b>	<b>24,927</b>	<b>15,666</b>	<b>4,777</b>	<b>2,522,441</b>
<b>Total Principal and Interest</b>	<b>\$ 642,661</b>	<b>646,984</b>	<b>652,442</b>	<b>630,606</b>	<b>626,576</b>	<b>2,804,402</b>	<b>2,269,617</b>	<b>78,617</b>	<b>78,825</b>	<b>77,927</b>	<b>78,666</b>	<b>62,777</b>	<b>8,650,100</b>